

TENNESSEE HOUSING DEVELOPMENT AGENCY
BOARD OF DIRECTORS
July 15, 2004

Pursuant to the call of the Chairman, the Tennessee Housing Development Agency Board of Directors met on Thursday, July 15, 2004, at 1:00 P.M. in the 12th Floor Training Room, Parkway Towers, Nashville, Tennessee.

The following members were present: Bill Bruce, Bob Cooper, Ann Butterworth for John Morgan, Peter Abernathy for Commissioner Goetz, Janice Cunningham for Dale Sims, Winston Henning, Ronnie Knight, Gerald Konohia, Eddie Latimer (Chair), Tom Mottern, Ralph Perrey, Brad Rainey, Gerald Reed for Secretary Darnell, Jerry Sisson, Jackie West, and Calestine Williams.

The following members were absent: Tim Bolding, Harold Hunter, and Carl Tindell.

Chairman Latimer called the meeting to order and opened the floor for public comment. No public comments were made.

Chairman Latimer called for a motion to approve the May 20, 2004, meeting minutes. Mr. Bruce moved approval and Mr. Konohia offered a second. The minutes were approved.

Chairman Latimer asked Ms. Janice Myrick, Executive Director, to present staff recognitions. Lorrie Shearon, Director of Research, Planning & Technical Services, was recognized for 15 years of service. Shelia White, Section 8 Rental Assistance, and Cheryl Reynolds, Section 8 Contract Administration, each were recognized for 20 years of service.

Ms. Myrick informed the Board of management changes. Ms. Myrick introduced Ms. Donna Duarte who was promoted to the position of Director of the newly created Program Compliance Division on July 1, 2004. The Program Compliance Division will be staffed by positions responsible for tax credit program compliance. The decision to create this new division is based on the growth of the tax credit program and upcoming issues surrounding year 15 compliance requirements. Ms. Myrick recognized Mr. Mark Davis, Director of Mortgage Administration, who is being reassigned to special projects, including implementation of the Agency's imaging project and business resumption/disaster recovery program. With that reassignment, the current Assistant Director, Sharon Pommer, will be promoted to Director of Mortgage Administration. These changes are being made to reinforce the direct servicing program, as well as to implement the document imaging and business resumption plan as soon as possible.

Chairman Latimer asked Ms. Myrick to discuss the monthly report. Ms. Myrick noted that the report contains June 30, 2004, preliminary data and reflects that the Agency's FY03-04 spending estimate was 7% above actual expenditures. Ted Fellman, Chief Financial Officer, responded to questions regarding mortgage production by giving a brief overview of events and marketing strategy changes made throughout the year. Ms. Myrick urged members to be available for the entire day of meetings on September 16, 2004, because presentation of the FY04-05 budget proposal is on the agenda.

Chairman Latimer reminded members that Board appointments to expired terms are expected in the near future. He thanked Ms. Williams and Mr. Sisson for being present.

Mr. Sisson, Chairman of the Policy & Programs Committee, reported that staff advised that single-family mortgage loan resources are adequate to continue the program at current levels.

Mr. Sisson reported that the wholesale lending pilot program, which is intended to reach out to underserved rural communities, is being received very well and looks very promising although there is not enough data to report on production at this time.

Mr. Sisson reported that the Committee discussed possible items to be included in the Low Income Housing Tax Credit Qualified Allocation Plan for 2005 (the "2005 QAP"), and will consider a draft 2005 QAP at the September meeting.

Chairman Latimer shared information about a situation where the Board was misrepresented by an individual who does not have an official relationship to THDA. This misrepresentation almost caused the Administration-supported legislation on the franchise and excise tax to die. The misrepresentation was printed in a Novogradac publication and was noticed by a member of the Low Income Housing Coalition. The matter was brought to the proper officials' attention and Novogradac will republish the article. Chairman Latimer stressed the seriousness of this misrepresentation and mentioned the possibility of taking some sort of official action on the matter. On a more positive note, Ms. Myrick advised that Agency staff is working with the Department of Revenue on refund requests from developers.

Chairman Latimer thanked Mr. Reed for his willingness to report on Grants Committee agenda items. Before reporting, Mr. Reed welcomed all Board members to attend Grant Committee meetings when time permits. The Committee received the HOME Program Beneficiary Report, Fiscal Years 2000-2004 that is prepared by Planning, Research and Technical Services staff annually. Mr. Reed encouraged members to read the report.

The Grants Committee reviewed the material in the Board packet prepared by staff for administering the American Dream Downpayment Initiative ("ADDI") Program, a HUD initiative to provide downpayment assistance to very-low income families purchasing a home. The Committee previously discussed ADDI at the May meeting, and asked staff to return with options for implementing the program. The amount available for the ADDI Program is \$1.6 million over a two-year period. Continuation of the program after the two-year period is unknown. Staff submitted 3 options to the Committee and recommends adoption of Option 3, Administration In-House by the Division of Community Programs. Existing Agency staff would work with public agencies, non-profits, and public housing authorities to make \$10,000 per eligible household available for downpayment assistance. Households with special needs will be targeted for the downpayment assistance. Per the recommendation of the Grants Committee, Mr. Reed moved adoption of Option 3, with the exception that the first round of dollars be distributed as grants. He added that the Committee could discuss other options should HUD continue the program. Mr. Mottern offered a second. The motion was adopted.

The next Grants Committee action item was the HOME Consortium. Mr. Reed reported that the Committee reviewed the Northeast Tennessee/Virginia HOME Consortium (the "Consortium") request to allow Washington County and Sullivan County to participate in the Consortium. Mr. Reed noted that the Consortium receives HOME dollars directly from HUD and the addition of these counties will not adversely affect the Agency. Upon the recommendation of the Committee, Mr. Reed moved approval of the request. Mr. Perrey seconded the motion. The motion carried.

Mr. Reed updated the Board on the Individual Development Accounts ("IDAs"). In 2001, the Agency contracted with Tennessee Network for Community Economic Development ("TNCED") to administer this project. IDAs encourage very-low income households to develop self discipline to save money to build their economic assets. THDA matches individual savings at a 1/2 rate. The contract with TNCED expires September 15, 2004, and over \$100,000 remains in the grant. To fulfill commitments to households currently in the IDA program, TNCED requested a 90-day extension of the contract. The Committee approved that extension. Although the Committee liked the idea of the IDA program, it has not been as successful as hoped, without fault to TNCED or the Agency. The Committee asked staff to report on the IDA program at the September meeting so that members can consider whether to continue the IDA program or develop other programs to meet this need.

Chairman Latimer called on Ms. Myrick to report on other matters. Ms. Myrick called attention to the article from the *Commercial Appeal* regarding the Tennessee Black Caucus of State Legislators creation of a housing task force. Senator Dixon made a statement in the article that he wants THDA to play a greater role in promoting affordable housing in inner cities in Tennessee. Senator Dixon is a friend to the Agency and staff is excited about the housing task force. Staff is anxious to meet with Senator Dixon and others to discuss this affordable housing initiative. Mr. Perry and Mr. Bolding are involved in the task force. Mr. Perry added that appointments to the task force are expected to be made in August and felt confident that the Agency will be invited to be actively involved.

Ms. Myrick reported that the Agency had a successful bond closing on July 15, 2004, which generated approximately \$100,000,000 in mortgage proceeds. The bonds were priced in June at 5.21% TIC. Ms. Myrick thanked General Counsel Lynn Miller, CFO Ted Fellman, and Finance Director Wayne Beard for their hard work toward this bond transaction.

Ms. Myrick referred members to the draft letter of support to work to increase the number of affordable assisted living units. At the housing forums held in 2002, affordable assisted living was one of the major issues raised. Public housing authority ("PHA") directors are keeping the Agency informed regarding this issue, but a grant proposal must be submitted immediately. The Agency is not prepared to provide funding at this time; however, the Agency could use technical assistance grant funding for an administrative housing coordinator position. Ms. Myrick welcomed questions and comments and added that there are many issues to work through. No Board action was required. Chairman Latimer stated that this grant should assist in housing this growing population without creating new housing.

Ms. Myrick again reminded the Board of the importance of attending the budget presentation at the September meeting. The 2005 QAP is also on the September meeting agenda

and staff is hopeful that it will receive approval so that developers can take advantage of a longer application period. Members were given information on tentative topics of discussion at future Board meetings.

Ms. Myrick acknowledged Ms. Miller and Mr. Sisson for their work toward drafting a revised conflict of interest policy for consideration. Ms. Miller informed the Board that the draft policy distributed today merges the May 18, 2004, memo, the November 2003 memo, and the existing policy language. Ms. Miller said that there is new language, but the concepts contained in all of these documents are covered. Mr. Sisson stated that he and Ms. Miller worked on terminology in regards to the purpose of the policy and noted that the language in Section III.B.5. of the Rules of Conduct was taken directly from Executive Order No. 3. Mr. Sisson expressed his willingness to discuss the draft conflict of interest policy. Mr. Sisson also thanked the membership for the seriousness it has placed on the conflict of interest policy. Ms. Miller asked members to review the draft conflict of interest policy and advise of any comments or concerns they may have. The conflict of interest policy is an agenda item to be discussed at the September meeting.

Regarding Board disclosures, Ms. Miller asked those members who have not done so already to complete and submit their annual disclosure form as soon as possible. The Audit & Budget Committee will conduct the annual review of Board and staff disclosures at the September meeting.

Regarding Federal legislation, Ms. Myrick said that legislation that would repeal the ten-year rule remains alive. The most recent news is that passage of the bill will not occur until legislators return from recess.

The single-family tax credit legislation continues to gain sponsors. President Bush has included single-family tax credits in the budget for several years. There are 3 separate bills at this time.

The Prisoner Re-Entry Bill includes housing as an eligible activity for state and local governments to compete for grants to reduce recidivism.

Ms. Myrick shared that the 2004 Report published by the Harvard University's Joint Center for Housing Studies reported that 30% of all households spend more than 30% of their income for housing and of that percentage of households 13% spent 50% of their income for housing.

Regarding the possibility of decreases in Section 8 rental assistance funding for FY 04, Ms. Myrick said that HUD informed the Agency that fees the Agency earns for administering the program were going to be reduced; however, staff continues to work toward minimizing the fee reduction to 6.2%. THDA is in a category of 15 agencies that are facing a reduction of more than 6.2% and HUD is working through NCSHA on this issue. Ms. Myrick stated that it is promising that HUD recognizes there is an issue. Staff is watching the current year funding very closely and staff is aware that program changes will most likely be necessary. In the past the Agency could rely on reserves from previous years; however, those reserves are very limited at this time. Members of the Tennessee delegation are aware that agencies in Tennessee are being

treated differently than some other housing agencies. The delegation is also aware of concerns for next year's funding. Members and staff discussed that a high percentage of tenants in tax credit properties receive vouchers. Chairman Latimer agreed that housing agencies are faced with a great dilemma and resources will be stretched.

Regarding the Financial Integrity Act, Ms. Myrick noted that there were no reportable items to be brought to the Board's attention.

Per Chairman Latimer's request, Ms. Miller prepared a brief description and comparison of competitive and negotiated bond sales. Ms. Miller advised that the Bond Finance Committee makes the determination of the type of bond sale. For the most part the Committee's preference has been the competitive bond sale; however, the Bond Finance Committee determined that the best bond rate could be achieved with a negotiated sale on the most recent bond sale. Ms. Miller offered to answer questions and Chairman Latimer encourage members to increase their knowledge of bond sales by reading the information provided.

Chairman Latimer advised that he and Bob Cooper recently met with the Governor. Governor Bredesen is supportive of a followup to the statewide housing summits. Chairman Latimer asked that members let him know if interested in the development of an event of this sort. Several members indicated interested in this endeavor. Chairman Latimer indicated that individuals from other industries will be contacted for their ideas and input.

Mr. Reed asked to address the Board regarding a suggestion for the 2005 QAP. Mr. Reed suggested awarding points for developments in close proximity to public transportation or a family resource center. He stated that these points might be an incentive for developers and an added benefit to the low-income community.

At this time, Ms. Myrick recognized Mr. Sisson for his service to the Board. Ms. Myrick thanked Mr. Sisson for his commitment to the Agency by serving as Vice-Chair of the Board and Chair of the Policy & Programs Committee and for making himself so readily available to staff. Mr. Sisson was given a gift as a token of appreciation for his service and received a round of applause from members and staff.

With no other business to come before the Board, the meeting adjourned.

Respectfully submitted,

Janice L. Myrick
Executive Director

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